

Ms. Linda Jennings, Business Manager  
Sandpiper Convalescent Center  
1049 Anna Knapp Boulevard  
Mount Pleasant, South Carolina 29464

Re: AC# 3-SDP-J8 – Bencare, Inc., d/b/a Sandpiper Convalescent Center, Inc.

Dear Ms. Jennings:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract periods beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

Ms. Linda Jennings, Business Manager  
Sandpiper Convalescent Center  
1049 Anna Knapp Boulevard  
Mt. Pleasant, South Carolina 29464

Re: Draft Report AC# 3-SDP-J8 – Bencare Inc., d/b/a Sandpiper Convalescent Center. Inc.

Dear Ms. Jennings:

The accompanying draft report has been prepared by our office. Please review the adjustments as presented.

If you have any questions concerning this report and would like a formal exit conference with the auditors, please write to me regarding the establishment of a meeting date. Your correspondence should include the above referenced control number. Your request for a conference must be made within ten (10) calendar days of your receipt of this report, and the conference must be held within twenty (20) calendar days of your receipt of this report. Any additional documentation in support of allowable cost must be received by our office no later than twenty (20) calendar days after your receipt of this report.

If we do not hear from you within ten (10) calendar days of your receipt of this report, we will assume you do not want an exit conference. In this case, I will reissue this report to you in final form and you will have thirty (30) calendar days in which to file a formal appeal if you so desire.

Yours very truly,

R. James McClam, CPA  
Director of Federal Audits

RJM/kss

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

Ms. Brenda L. Hyleman, Director  
Division of Home Health and Nursing Home Services  
Department of Health and Human Services  
Post Office Box 8206  
Columbia, South Carolina 29202-8206

Re: Draft Report - AC# 3-SDP-J8 – Bencare, Inc. d/b/a Sandpiper Convalescent Center Inc.

Dear Ms. Hyleman:

Please review the adjustments contained in the accompanying draft report. If you have any comments or disagreements with the adjustments and resulting computations, please contact me within ten (10) calendar days.

Use of the above referenced control number is requested on any subsequent correspondence pertaining to this report.

If you do not have any comments, it will be assumed you are in agreement with the report and only those concerns of the Provider, if any, will be considered prior to the issuance of the final report.

Yours very truly,

R. James McClam, CPA  
Director of Federal Audits

RJM/kss

cc: Mr. Jeff Saxon  
Mr. Robert M. Kerr

**BENCARE, INC. D/B/A  
SANDPIPER CONVALESCENT CENTER, INC.**

**MT. PLEASANT, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1999  
AC# 3-SDP-J8**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

## **CONTENTS**

	<b><u>EXHIBIT OR SCHEDULE</u></b>	<b><u>PAGE</u></b>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING OCTOBER 1, 1999	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIODS BEGINNING OCTOBER 1, 1999	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1998	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

December 16, 1999

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Bencare, Inc. d/b/a Sandpiper Convalescent Center, Inc., for the contract periods beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Bencare, Inc. d/b/a Sandpiper Convalescent Center, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Bencare, Inc. d/b/a Sandpiper Convalescent Center, Inc. dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
December 16, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**BENCARE, INC. D/B/A SANDPIPER CONVALESCENT CENTER, INC.**

Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1999  
AC# 3-SDP-J8

Interim Reimbursement Rate (1)	\$89.04
Adjusted Reimbursement Rate	<u>88.15</u>
Decrease in Reimbursement Rate	\$ <u>.89</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999



**BENCARE, INC. D/B/A SANDPIPER CONVALESCENT CENTER, INC.**  
Computation of Adjusted Reimbursement Rate  
For the Contract Periods Beginning October 1, 1999  
AC# 3-SDP-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$40.00	\$43.78	
Dietary		9.73	9.69	
Laundry/Housekeeping/Maint.		<u>11.06</u>	<u>8.24</u>	
Subtotal	\$ <u>.92</u>	60.79	61.71	\$60.79
Administration & Med. Rec.	\$ <u>4.75</u>	<u>6.81</u>	<u>11.56</u>	<u>6.81</u>
Subtotal		67.60	<u>\$73.27</u>	67.60
<u>Costs Not Subject to Standards:</u>				
Utilities		2.51		2.51
Special Services		.15		.15
Medical Supplies & Oxygen		3.08		3.08
Taxes and Insurance		2.36		2.36
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$75.70</u>		75.70
Inflation Factor (3.00%)				2.27
Cost of Capital				6.72
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.65
Cost Incentive				.92
Effect of \$1.75 Cap on Cost/Profit Incentives				(1.82)
CNA Add-On				.75
Nurse Aid Staffing Add-On				<u>.96</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$88.15</u>

**BENCARE, INC. D/B/A SANDPIPER CONVALESCENT CENTER, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1998  
AC# 3-SDP-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DHHS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,894,278	\$ 38,689 (7)	\$ 38,689 (8) 12,406 (9)	\$1,881,872
Dietary	457,838	151,098 (7)	151,098 (8)	457,838
Laundry	131,507	43,402 (7)	2,145 (1) 42,870 (8)	129,894
Housekeeping	211,493	77,313 (7)	77,307 (8)	211,499
Maintenance	178,021	167 (5) 65,483 (7) 1,685 (11)	1,500 (2) 65,100 (8)	178,756
Administration & Medical Records	325,894	74,955 (7) 15,208 (7)	75,024 (8) 15,208 (8) 5,505 (11)	320,320
Utilities	119,306	43,450 (7)	1,448 (3) 43,064 (8)	118,244
Special Services	7,125	-	-	7,125
Medical Supplies & Oxygen	146,259	-	1,315 (9)	144,944
Taxes & Insurance	111,108	38,926 (7)	38,929 (8)	111,105
Legal Fees	39	9 (7)	9 (8)	39
Cost of Capital	336,535	410 (6) 21,309 (7)	6,806 (4) 1,450 (5) 19,980 (8) 13,633 (10)	316,385
Subtotal	3,919,403	572,104	613,486	3,878,021

**BENCARE, INC. D/B/A SANDPIPER CONVALESCENT CENTER, INC.**

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1998  
AC# 3-SDP-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	33,676	-	-	33,676
Non-Allowable	2,977,130	2,145 (1) 1,500 (2) 1,448 (3) 1,283 (5) 567,278 (8) 13,721 (9) 13,633 (10) 925 (11)	410 (6) 569,842 (7)	3,008,811
Total Operating Expenses	<u>\$6,930,209</u>	<u>\$1,174,037</u>	<u>\$1,183,738</u>	<u>\$6,920,508</u>
TOTAL PATIENT DAYS	<u>47,048</u>	<u>-</u>	<u>-</u>	<u>47,048</u>
TOTAL BEDS	<u>132</u>			

**BENCARE, INC. D/B/A CONVALESCENT CENTER, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 1998  
AC# 3-SDP-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Laundry	\$ 2,145	\$ 2,145
	To reclassify late charges State Plan, Attachment 4.19D		
2	Nonallowable Maintenance	1,500	1,500
	To reclassify expense to the proper cost center State Plan, Attachment 4.19D		
3	Nonallowable Utilities	1,448	1,448
	To reclassify late charges State Plan, Attachment 4.19D		
4	Fixed Assets	155,707	
	Other Equity	11,925	
	Accumulated Depreciation		160,826
	Cost of Capital		6,806
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 100 State Plan, Attachment 4.19D		
5	Nonallowable Maintenance	1,283 167	
	Cost of Capital		1,450
	To adjust loss on disposal of assets to allowable HIM-15-1, Section 100 State Plan, Attachment 4.19D		
6	Cost of Capital Nonallowable	410	410
	To adjust depreciation expense to comply with the capital cost policy State Plan, Attachment 4.19D		

**BENCARE, INC. D/B/A SANDPIPER CONVALESCENT CENTER, INC.**

## Adjustment Report

Cost Report Period Ended September 30, 1998

AC# 3-SDP-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Cost of Capital	21,309	
	Taxes and Insurance	38,926	
	Administration	74,955	
	Legal	9	
	Maintenance	65,483	
	Utilities	43,450	
	Laundry	43,402	
	Housekeeping	77,313	
	Dietary	151,098	
	Medical Records	15,208	
	Restorative	38,689	
	Nonallowable		569,842
	To reverse DH&HS adjustment to remove indirect costs applicable to non-reimbursable cost centers State Plan, Attachment 4.19D		
8	Nonallowable	567,278	
	Cost of Capital		19,980
	Taxes and Insurance		38,929
	Administration		75,024
	Legal		9
	Maintenance		65,100
	Utilities		43,064
	Laundry		42,870
	Housekeeping		77,307
	Dietary		151,098
	Medical Records		15,208
	Restorative		38,689
	To remove indirect costs applicable to non-reimbursable cost centers State Plan, Attachment 4.19D		
9	Nonallowable	13,721	
	Nursing		12,406
	Medical Supplies		1,315
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		

**BENCARE, INC. D/B/A SANDPIPER CONVALESCENT CENTER, INC.**

Adjustment Report

Cost Period Report Ended September 30, 1998

AC# 3-SDP-J8

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable Cost of Capital	13,633	13,633
	To adjust capital return to allowable State Plan, Attachment 4.19D		
11	Prepaid Expense	2,895	
	Maintenance	1,685	
	Nonallowable	925	
	Office Supplies		5,505
	To reclassify maintenance Contract HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
		_____	_____
	Total Adjustments	<u>\$1,344,564</u>	<u>\$1,344,564</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**BENCARE, INC. D/B/A SANDPIPER CONVALESCENT CENTER, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1998  
AC# 3-SDP-J8

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.2493</u>	<u>2.2493</u>	
Deemed Asset Value (Per Bed)	35,130	35,130	
Number of Beds	<u>88</u>	<u>44</u>	
Deemed Asset Value	3,091,440	1,545,720	
Improvements Since 1981	311,431	36,076	
Accumulated Depreciation at 9/30/98	<u>(1,071,807)</u>	<u>(439,254)</u>	
Deemed Depreciated Value	2,331,064	1,142,542	
Market Rate of Return	<u>0.063</u>	<u>0.063</u>	
Total Annual Return	146,857	71,980	
Return Applicable to Non-Reimbursable Cost Centers	(10,032)	(4,341)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>8,661</u>	<u>3,805</u>	
Allowable Annual Return	145,486	71,444	
Depreciation Expense	67,073	55,446	
Amortization Expense	2,067	-	
Capital Related Income Offsets	(3,634)	(1,517)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(12,923)</u>	<u>(7,057)</u>	<u>Total</u>
Allowable Cost of Capital Expense	198,069	118,316	\$316,385
Total Patient Days (Actual)	<u>31,365</u>	<u>15,683</u>	<u>47,048</u>
Cost of Capital Per Diem	\$ <u>6.31</u>	\$ <u>7.54</u>	\$ <u>6.72</u>

**BENCARE, INC. D/B/A SANDPIPER CONVALESCENT CENTER, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1998  
AC# 3-SDP-J8

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$5.68	\$N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$9.67</u>	<u>\$7.54</u>
Reimbursable Cost of Capital Per Diem		\$6.72
Cost of Capital Per Diem		<u>6.72</u>
Cost of Capital Per Diem Limitation		\$ <u>-</u>